

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
BLUE RIVER VALLEY SCHOOL CORPORATION
HENRY COUNTY, INDIANA
July 1, 2004 to June 30, 2006



FILED
03/23/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Carol Hamilton Kimberly S. Riley	07-01-04 to 12-31-04 01-01-05 to 06-30-07
Superintendent of Schools	Steven K. Welsh	07-01-04 to 06-30-07
President of the School Board	Kent Grim Shari Ray	07-01-04 to 06-30-05 07-01-05 to 06-30-07



STATE OF INDIANA

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE BLUE RIVER VALLEY SCHOOL
CORPORATION, HENRY COUNTY, INDIANA

We have examined the financial information presented herein of the Blue River Valley School Corporation (School Corporation), for the period of July 1, 2004 to June 30, 2006. The School Corporation's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the School Corporation for the years ended June 30, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Funding Progress, Schedule of Capital Assets, and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not a required part of the basic financial information. The Schedule of Funding Progress, Schedule of Capital Assets, and Schedule of Long-Term Debt have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on the Schedule of Funding Progress, Schedule of Capital Assets, and Schedule of Long-Term Debt.

STATE BOARD OF ACCOUNTS

February 1, 2007

BLUE RIVER VALLEY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 2,101,806
Restricted assets:	
Cash and investments	<u>8,619</u>
Total assets	<u>\$ 2,110,425</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 8,619
Unrestricted	<u>2,101,806</u>
Total net assets	<u>\$ 2,110,425</u>

The accompanying notes are an integral part of the financial statements.

BLUE RIVER VALLEY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 1,740,656
Restricted assets:	
Cash and investments	<u>189,434</u>
Total assets	<u>\$ 1,930,090</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 189,434
Unrestricted	<u>1,740,656</u>
Total net assets	<u>\$ 1,930,090</u>

The accompanying notes are an integral part of the financial statements.

BLUE RIVER VALLEY SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 2,741,381	\$ -	\$ 38,911	\$ (2,702,470)
Support services	3,835,970	238,119	73,854	(3,523,997)
Community services	61,761	-	-	(61,761)
Nonprogrammed charges	16,402	-	-	(16,402)
Debt service	<u>1,121,484</u>	<u>-</u>	<u>-</u>	<u>(1,121,484)</u>
Total governmental activities	<u>\$ 7,776,998</u>	<u>\$ 238,119</u>	<u>\$ 112,765</u>	<u>(7,426,114)</u>
General receipts:				
Property taxes				3,151,755
Other local sources				619,608
State aid				3,031,403
Grants and contributions not restricted				330,230
Sale of property, adjustments, and refunds				702,936
Investment earnings				<u>8,677</u>
Total general receipts				<u>7,844,609</u>
Change in cash and investments				418,495
Net assets - beginning				<u>1,691,930</u>
Net assets - ending				<u>\$ 2,110,425</u>

The accompanying notes are an integral part of the financial statements.

BLUE RIVER VALLEY SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 2,667,786	\$ -	\$ 33,543	\$ (2,634,243)
Support services	3,260,690	250,621	97,242	(2,912,827)
Community services	64,419	-	-	(64,419)
Nonprogrammed charges	1,439	-	-	(1,439)
Debt service	387,224	-	-	(387,224)
Total governmental activities	<u>\$ 6,381,558</u>	<u>\$ 250,621</u>	<u>\$ 130,785</u>	<u>(6,000,152)</u>
General receipts:				
Property taxes				1,994,352
Other local sources				273,864
State aid				3,213,371
Grants and contributions not restricted				285,434
Sale of property, adjustments, and refunds				29,284
Investment earnings				<u>23,512</u>
Total general receipts				<u>5,819,817</u>
Change in cash and investments				(180,335)
Net assets - beginning				<u>2,110,425</u>
Net assets - ending				<u>\$ 1,930,090</u>

The accompanying notes are an integral part of the financial statements.

BLUE RIVER VALLEY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 1,721,324	\$ 501,063	\$ 977,005	\$ 483,838	\$ 65,906	\$ 267,912	\$ 4,017,048
Intermediate sources	811	-	-	-	-	300	1,111
State sources	3,059,828	389	-	-	-	108,572	3,168,789
Federal sources	-	-	-	-	-	305,608	305,608
Sale of property, adjustments and refunds	1,674	4,473	-	685	8,958	687,147	702,937
Intergovernmental transfers	-	-	-	-	-	13,107	13,107
Total receipts	<u>4,783,637</u>	<u>505,925</u>	<u>977,005</u>	<u>484,523</u>	<u>74,864</u>	<u>1,382,646</u>	<u>8,208,600</u>
Disbursements:							
Current:							
Instruction	2,472,215	-	-	-	-	269,166	2,741,381
Support services	2,057,499	372,684	-	273,030	43,500	1,089,257	3,835,970
Community services	61,133	-	-	-	-	628	61,761
Nonprogrammed charges	-	-	-	-	-	29,509	29,509
Debt services	-	-	1,121,484	-	-	-	1,121,484
Total disbursements	<u>4,590,847</u>	<u>372,684</u>	<u>1,121,484</u>	<u>273,030</u>	<u>43,500</u>	<u>1,388,560</u>	<u>7,790,105</u>
Excess (deficiency) of total receipts over (under) total disbursements	192,790	133,241	(144,479)	211,493	31,364	(5,914)	418,495
Cash and investments - beginning	<u>449,946</u>	<u>368,398</u>	<u>153,098</u>	<u>370,265</u>	<u>24,700</u>	<u>325,523</u>	<u>1,691,930</u>
Cash and investments - ending	<u>\$ 642,736</u>	<u>\$ 501,639</u>	<u>\$ 8,619</u>	<u>\$ 581,758</u>	<u>\$ 56,064</u>	<u>\$ 319,609</u>	<u>\$ 2,110,425</u>

The accompanying notes are an integral part of the financial statements.

BLUE RIVER VALLEY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2006

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 1,082,466	\$ 287,709	\$ 568,039	\$ 295,750	\$ 23,940	\$ 283,360	\$ 2,541,264
Intermediate sources	785	-	-	-	-	300	1,085
State sources	3,236,117	516	-	-	-	55,206	3,291,839
Federal sources	-	-	-	-	-	337,751	337,751
Sale of property, adjustments and refunds	6,821	133	-	7,840	-	14,490	29,284
Intergovernmental transfers	-	-	-	-	-	63,192	63,192
Total receipts	<u>4,326,189</u>	<u>288,358</u>	<u>568,039</u>	<u>303,590</u>	<u>23,940</u>	<u>754,299</u>	<u>6,264,415</u>
Disbursements:							
Current:							
Instruction	2,436,196	-	-	-	-	231,590	2,667,786
Support services	2,021,659	369,724	-	371,098	56,063	442,146	3,260,690
Community services	63,695	-	-	-	-	724	64,419
Nonprogrammed charges	1,439	-	-	-	-	63,192	64,631
Debt services	-	-	387,224	-	-	-	387,224
Total disbursements	<u>4,522,989</u>	<u>369,724</u>	<u>387,224</u>	<u>371,098</u>	<u>56,063</u>	<u>737,652</u>	<u>6,444,750</u>
Excess (deficiency) of total receipts over (under) total disbursements	(196,800)	(81,366)	180,815	(67,508)	(32,123)	16,647	(180,335)
Cash and investments - beginning	<u>642,736</u>	<u>501,639</u>	<u>8,619</u>	<u>581,758</u>	<u>56,064</u>	<u>319,609</u>	<u>2,110,425</u>
Cash and investments - ending	<u>\$ 445,936</u>	<u>\$ 420,273</u>	<u>\$ 189,434</u>	<u>\$ 514,250</u>	<u>\$ 23,941</u>	<u>\$ 336,256</u>	<u>\$ 1,930,090</u>

The accompanying notes are an integral part of the financial statements.

BLUE RIVER VALLEY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2005

	<u>Private-Purpose Trust Funds</u>
Additions:	
Total additions	\$ <u>-</u>
Deductions:	
Instruction	<u>516</u>
Deficiency of total additions under total deductions	(516)
Cash and investments - beginning	<u>2,792</u>
Cash and investments - ending	<u><u>\$ 2,276</u></u>

The accompanying notes are an integral part of the financial statements.

BLUE RIVER VALLEY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2006

	<u>Private-Purpose Trust Funds</u>
Additions:	
Local sources	\$ <u>200</u>
Deductions:	
Total deductions	<u>-</u>
Excess of total additions over total deductions	200
Cash and investments - beginning	<u>2,276</u>
Cash and investments - ending	<u><u>\$ 2,476</u></u>

The accompanying notes are an integral part of the financial statements.

BLUE RIVER VALLEY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2005

<u>Assets</u>	<u>Private-Purpose Trust Funds</u>
Cash and investments	\$ <u>2,276</u>
<u>Net Assets</u>	
Held in trust for employee benefits and other purposes	\$ <u>2,276</u>

The accompanying notes are an integral part of the financial statements.

BLUE RIVER VALLEY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2006

<u>Assets</u>	<u>Private-Purpose Trust Funds</u>
Cash and investments	\$ <u>2,476</u>
<u>Net Assets</u>	
Held in trust for employee benefits and other purposes	\$ <u>2,476</u>

The accompanying notes are an integral part of the financial statements.

BLUE RIVER VALLEY SCHOOL CORPORATION
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

Note 2. Fund Accounting

A. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Cash and Investments and the Statement of Cash Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. However, there are no business-type activities to report at this time.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, there are no enterprise funds to report at this time.

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

BLUE RIVER VALLEY SCHOOL CORPORATION
NOTES TO FINANCIAL INFORMATION
(Continued)

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

Additionally, the School Corporation reports the following fund types:

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the vocational educational and special education students.

B. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and December. State statute (Indiana Code 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15.

BLUE RIVER VALLEY SCHOOL CORPORATION
NOTES TO FINANCIAL INFORMATION
(Continued)

These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (Indiana Code 5-13-9) authorizes the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 6. Interfund Transfers

Interfund transfers for the years ended June 30, 2005 and 2006, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2005</u>	<u>2006</u>
Other governmental	Other governmental	<u>\$ 13,107</u>	<u>\$ 63,192</u>

The School Corporation typically uses transfers for cash flow purposes according to various statutes.

Note 7. Pension Plans

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (Indiana Code 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

BLUE RIVER VALLEY SCHOOL CORPORATION
NOTES TO FINANCIAL INFORMATION
(Continued)

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

Teacher's Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teacher's Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (Indiana Code 5-10.2) governs, through the TRF Board, most requirements of the system, and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

TRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Teacher's Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

Funding Policy and Annual Pension Cost

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

BLUE RIVER VALLEY SCHOOL CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund							
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)	
07-01-03	\$ 609,111	\$ 685,821	\$ (76,710)	89%	\$ 603,983	(13%)	
07-01-04	628,878	726,217	(97,339)	87%	611,422	(16%)	
07-01-05	667,560	722,210	(54,650)	92%	632,355	(9%)	

BLUE RIVER VALLEY SCHOOL CORPORATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

June 30, 2006

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 76,200
Buildings	15,807,955
Improvements other than buildings	409,105
Machinery and equipment	2,067,808
Transportation equipment	<u>944,621</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 19,305,689</u>

BLUE RIVER VALLEY SCHOOL CORPORATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT

June 30, 2006

The School Corporation has entered into the following long-term debts:

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Capital lease:		
School building improvement	\$ 10,895,000	\$ 280,000
Loan payable	<u>50,997</u>	<u>14,571</u>
Total governmental activities long-term debt	<u>\$ 10,945,997</u>	<u>\$ 294,571</u>

BLUE RIVER VALLEY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS

ACADEMIC HONORS DIPLOMAS – INCORRECT REPORTING TO THE STATE

The information presented for examination indicates that the number of students reported as having earned academic honors diplomas was incorrect for the school year ending June 30, 2004.

The number of students reported as earning an academic honors diploma was 20, while the actual number of students earning an academic honors diploma was 17 – a difference of 3 students.

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

PRESCRIBED FORMS

Forty-five percent of the accounts payable vouchers that were examined had no signatures to verify that the materials or services were ordered and received by an employee of the School Corporation. Five percent of the accounts payable vouchers that were examined were supported by an attached statement, which had a total amount that was due to the vendor, instead of an itemized invoice, which would have detailed the items which had been sold to the School Corporation.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

BLUE RIVER VALLEY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 1, 2007, with Kimberly S. Riley, Treasurer; Steven K. Welsh, Superintendent of Schools, Shari Ray, President of the School Board; and Georgette Miles, Deputy Treasurer. The officials concurred with our findings.